

## **APPENDIX C: CAPITALIZATION POLICY**

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### ***Introduction***

Governmental Accounting Standards Board (GASB) Statement 34 requires municipal governments to capitalize assets (i.e. land, roads, bridges, drainage systems, water systems, vehicles, equipment, etc.) and include the financial impact of these capitalized assets in the government wide financial statements. The intent of this document is to provide an overview of the implementation of GASB Statement #34 for the Village and to establish those policies and procedures necessary to ensure continued compliance with Statement 34

### ***Capital and Inventory Items***

This document is applicable to capital assets that the Village is responsible for reporting according to Statement 34 requirements. This is not an inventory policy and should not be construed as the level at which the Village's inventory of equipment or other assets should be tracked.

### ***Classes and Capitalization Thresholds for Fixed Assets***

Capital assets are typically defined as all tangible assets including but not limited to land, improvements to land, rights of way, buildings, vehicles, equipment, and infrastructure (including streets, intersections, sidewalks, storm sewer, street lighting, etc.) that are used in operations and have initial useful lives extending beyond a fiscal year. In addition, capital assets typically require substantial financial resources to acquire.

Based on this definition of a capital asset, the Village of Barrington has established classifications and financial thresholds for the tangible assets owned by the Village. By utilizing these classifications and thresholds, the Village has been and will continue to be able to distinguish between those tangible assets that should be reported in the Government Wide Financial Statements in with Statement 34 and those assets that do not need to be reported. The classifications and thresholds for all of the capital assets of the Village are detailed in Exhibit A to this document according to the columns entitled "Class of Asset" and "Type of Activity Capitalized".

### ***Procedures Used to Establish the Current Value of Village Capital Assets***

GASB Statement 34 requires municipal governments to report the historic or estimated historic cost of acquiring or constructing a capital asset. To accomplish this, the Village utilized the classifications and thresholds established in Exhibit A to identify all capital assets that need to be reported. The Village then established the historic cost for the asset as well as the accumulated depreciation and net book value of the asset by utilizing the procedures identified in Exhibit A under the column entitled "Description of Initial Asset Analysis".

### ***Depreciation of Village's Fixed Assets***

The Village will depreciate all items on a straight line basis that will including FULL years only. This means that there will be no depreciation in the first year in which an asset was purchased or completed while the last year of the asset's useful life will include a full year of depreciation.

### ***Useful Life of Fixed Assets***

The useful life of fixed assets is dependent on the type of asset and is detailed by the Class of Asset on Exhibit A to this document.

### ***Recognition of Capital Assets Donated or Provided to the Village of Barrington***

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Many of the assets acquired by the Village of Barrington are acquired by donation or conveyance (a prime example of this are Village Streets which are often acquired by the Village upon annexation of a subdivision into the Village). The Village will recognize donated or conveyed assets as belonging to the Village on the date upon which the Corporate Authorities of the Village formally accept the donated/conveyed asset. Once this formal acceptance is complete, the asset will be placed into the appropriate classification according to Exhibit A and the proper procedures to account for that asset will be initiated from that point forward (i.e. annual depreciation, etc).

**Exhibit A to the Village of Barrington Capitalization Policy: Classes, Thresholds, and Descriptions**

1999 General Fixed Assets Account Group = \$14,487,910, Each class or asset must have a total original acquisition value equal to or greater than \$1,448,791 or it must exceed the capitalization limit for an individual segment/item in the class in order to have been capitalized under this policy.

<u>Class of Asset</u>	<u>Threshold for Capitalization</u>	<u>Type of Activity Capitalized</u>	<u>Depreciable Life</u>	<u>Asset Description</u>	<u>Description of Initial Asset Analysis</u>
<b>1. Governmental Funds (General Fund, Capital Improvement Fund, TIF Fund, Debt Service Fund)</b>					
Land	All Land	Any Purchase/Donation of Land	N/A	Includes all parcels of land owned by Village, not including public Right of Way.	A list of all parcels of land owned by Village was compiled. A search was conducted of Village and Township Records to determine if a acquisition date and historical cost was available. If a historic cost was not available, an estimated cost was calcula
Right-Of-Way	All Land	Any Purchase/Donation of Right-Of-Way	N/A	The right of ways owned by the Village, typically the public roads and alleys in the Village along with the parkway and the sidewalks, usually a width of either 60', 66', or 80'.	A list of all segments of Right Of Way was compiled.
Bridges	\$50,000	Acquisition, Construction or Reconstruction in excess of \$50,000	40 Years	All acquisitions, construction, or reconstruction of a bridge that exceeds \$50,000	A list of bridges owned by the Village was compiled. Historical costs were used if available from records. If a historic cost was not available, an estimated cost was calculated by using the date of construction or reconstruction and applying the follow
Buildings	\$25,000	Acquisition, Construction or Reconstruction in excess of \$25,000	40 Years	All acquisitions, construction, or reconstruction of buildings that exceed \$25,000	The historic cost to acquire or construct buildings was obtained from Village records. If no historic cost was available, the original date the building was acquired or built was established, the current cost per square foot for reconstructing that build
Streets	All Streets	Acquisition, Construction or Reconstruction	60 Years	All acquisitions, construction, or reconstruction of streets	A list of all Village owned streets was compiled. The year of acquisition, construction, or reconstruction was determined or estimated based on Village records. The square yardage of the segment of road was determined from Village records and then a cur
Vehicles & Equipment	\$50,000	Acquisition of Equipment with a cost exceeding \$50,000	Variable, Depending on Item	All Village owned vehicles and equipment with an acquisition cost exceeding \$50,000	The cost of acquisition of each piece of equipment was determined from the Village's financial records.

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<u>Class of Asset</u>	<u>Threshold for Capitalization</u>	<u>Type of Activity Capitalized</u>	<u>Depreciable Life</u>	<u>Asset Description</u>	<u>Description of Initial Asset Analysis</u>
Stormsewer System	All Stormsewer Segments	Acquisition, Construction or Reconstruction	75 Years	All acquisitions, construction, or reconstruction of storm sewer segments	An average current cost to construct a linear foot of storm sewer was determined by the Village Engineer. This current cost was then applied to the storm sewer segments to determine the current cost to construct the storm sewer segments in the Village.
Traffic Signals	\$50,000				These were excluded because they did not meet the Capitalization threshold of \$50,000 or the overall system threshold of \$1,448,791.
Sidewalk					Sidewalks were excluded because they did not meet the overall system threshold of \$1,448,791.
Streetlights	\$50,000				These were excluded because they did not meet the Capitalization threshold of \$50,000 or the overall system threshold of \$1,448,791.

**2. Enterprise and Internal Service Funds (Water & Sewer Fund, Recycling & Refuse Fund, Motor Vehicle Parking System Fund, Information Services Fund, Central Garage Fund)**

Water Main	All Mains	Acquisition, Construction or Reconstruction	75 Years	All acquisitions, construction, or reconstruction of Water Main or Water System Segments	Determined by the current financial records of the Village (Because these assets are owned by an Enterprise Fund the Village was required to record and depreciate these capital assets since the establishment of the Water and Sewer Fund)
Sewer Main	All Mains	Acquisition, Construction or Reconstruction	75 Years	All acquisitions, construction, or reconstruction of Sewer Main or Sewer System Segments	Determined by the current financial records of the Village (Because these assets are owned by an Enterprise Fund the Village was required to record and depreciate these capital assets since the establishment of the Water and Sewer Fund)

Fixed assets for the Enterprise and Internal Service Funds that can be classified in a category already detailed under Governmental Funds are subject to the same thresholds and classifications as those assets in the Governmental Funds.